1	2	3	4	5
51.	Mau	104.06	485.27	1.95
52.	Meerut	41.83	289.25	92.14
53.	Mirzapur	490.60	371.96	219.19
54.	Moradabad	138.30	290.67	399.01
55.	Muzaffarnagar	150.03	417.77	48.96
56.	Pilibhit	27.42	368.12	551.44
57.	Pratapgarh	458.19	418.79	311.87
58.	Rae Bareilly	460.67	19.79	428.29
59.	Rampur	26.20	151.25	157.27
60.	Saharanpur	81.07	255.81	275.48
61.	Sant Kabir Nagar	360.76	200.70	218.36
62.	Sant Ravidas Nagar (Bhadohi)	13.83	74.68	140.30
63.	Shahjahanpur	187.99	446.80	762.25
64.	Sharavasti	95.62	210.77	309.47
65.	Sidharthnagar	29.78	552.66	688.33
66.	Sitapur	886.79	309.41	689.99
67.	Sonbhadra	158.48	4.60	628.32
68.	Sultanpur	272.11	416.04	426.05
69.	Unnao	439.59	147.28	1345.96
70.	Varanasi	186.31	166.18	382.23
	STATE TOTAL	13632.48	16466.30	25679.19

Incidents of financial frauds

†1836. SHRI BHAGAT SINGH KOSHYARI:
SHRI PRABHAT JHA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that in recent years, there has been a spurt in the incidents of financial frauds in the country;

(b) if so, the details thereof during the last three years;

(c) the persons responsible for these increasing incidents of frauds and the reasons for Government agencies' failures, in checking these; and

†Original notice of the question was received in Hindi.

(d) whether Government is going to formulate a national policy in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA): (a) and (b) The total number of cases of frauds and amounts involved as reported by the Commercial Banks, Urban Co-operative Banks and Non-banking Financial Institutions to Reserve Bank of India (RBI) during the last three calender years (2006-2008) are as under:-

(Rs. in crores)

Category	2006		2007		2008	
	No.	Amount	No.	Amount	No.	Amount
Commercial Banks	21687	1200.87	22280	1077.84	21980	1431.11
Urban Co-operative Banks	125	53.18	591	62.04	457	34.16
Non Banking Financial Companies	Nil	Nil	13	1.38	103	14.87
TOTAL	21812	1254.05	22884	1141.26	22540	1480.14

The total number of frauds, had shown a marginally increasing trend during 2007 but during 2008 it had shown a decreasing trend.

(c) RBI has reported that unscrupulous customers of the bank, third party outsiders, and even the banks own staff members perpetrate frauds. In the borrowal accounts, companies, firms were found to have used various methods such as fraudulent discount of instruments or kite flying in clearing effects, fraudulent removal of pledged stocks/disposal of hypothecated goods without bank's knowledge and diversion of funds outside borrowing units. Certain borrowers were also found to have availed credit facilities under multiple banking arrangements by submitting fake documents. In addition, third parties such as builders, warehouse/cold storage owners, motor vehicle/tractor dealers, travel agents etc. and professionals such as architects, valuers, chartered accountants, advocates were also found to have helped, either directly or indirectly, in perpetration of frauds.

(d) Reserve Bank of India as a part of its supervisory process has taken following measures to prevent/reduce the incidence of frauds:-

(i) To sensitize banks from time to time about common fraud prone areas through issuance modus operandi on various types of frauds and the measures to be taken by them.

(ii) By issuance of Caution Advice to banks to exercise due diligence while sanctioning fresh loan facilities to the borrowers in the Caution Advice.

(iii) Advice banks to:

(a) Introduce a system of concurrent audit.

(b) Review working of internal inspection and audit machinery in banks by the Audit Committee of the Board of Directors.

(c) Constitute a Special Committee of the Board exclusively for monitoring frauds of Rs. 1 crore and above.

(d) Examine staff accountability and institute disciplinary action expeditiously against the staff involved in frauds.

(iv) On the basis of recommendations made by the Mitra Committee on legal aspects of bank frauds, banks were advised to take various preventive steps *viz.* Development of Best Practice Code (BPC), System of internalization of BPC, strengthening internal checks and internal controls and introducing Legal Compliance Audit.

(v) As the frauds in the area of housing loans were on the increase, RBI had issued several circulars including steps to be taken by banks to prevent such frauds, such as conduct of due diligence of borrowers/builders, scrutiny of documents by legal experts, verification of identity of the borrowers, multi layered decision making process, pre-sanction visit to a project site and strict post disbursement supervision etc.

(vi) All the banks which had financed a borrower under multiple banking arrangement have been advised to take co-ordinated action, based on commonly agreed strategy, for legal/criminal actions, follow up for recovery, exchange of details of modus operandi, achieving consistency in data/information on frauds reported to Reserve Bank of India. The bank which detects a fraud is required to immediately share the details with all other banks in the multiple banking arrangements.

(vii) In order to make the third parties such as builders, warehouse/cold storage owners, motor vehicle/tractor dealers, travel agents etc. and professionals such as architects, valuers chartered accountants, advocates, etc. accountable who have played a vital role in credit sanction/disbursement or facilitated the perpetration of frauds, banks have been advised to report to Indian Banks Association (IBA) the details of such third parties, including professionals involved in frauds. IBA in turn will prepare caution lists of such parties for circulation among the banks.

Due to increased surveillance and monitoring by RBI it has shown a downward trend in recent times.

Lending to micro, small and medium enterprises

1837. SHRI VIJAY JAWAHARLAL DARDA:
SHRIMATI SHOBHANA BHARTIA:

Will the Minister of FINANCE be pleased to state:

(a) whether Government has warned private and foreign banks of tough action if they do not improve on lending to micro, small and medium enterprises which are reeling under the impact of global meltdown;